

Welcome

SBA Columbus District Office

SBA Economic Recovery Efforts

- ◆ \$375 Million for temporary fee reductions or eliminations on SBA loans and increased SBA guaranteed percentage up to 90%.
- ◆ What does this mean to the general public.
 - ❖ This eliminated upfront 7(a) fees associated with receiving a loan with SBA backing.
 - ❖ Participant lenders will received increased government backing from 75%-85% to 90% to encourage lending to for profit small businesses.
 - ❖ SBA fees associated with 504 loan have been reduced.
 - ❖ Lenders within the Columbus District have increased lending dollars by over 50% over last 10 weeks versus first 10 weeks in 2009.

American's Recovery Capital or ARC

- ◆ \$255 Million for ARC to help small businesses meet existing debt payments.
- ◆ Designed to give **Viable** small businesses suffering **Immediate Financial Hardship** some temporary financial relief.
- ◆ What are the details on this program:

American's Recovery Capital or ARC

- ◆ ARC loans are up to \$35,000.
- ◆ Loan is made by participating 7(a) lenders with 100% SBA guarantee.
- ◆ SBA does not have direct lending authority with this program.
- ◆ Use of proceeds is restricted for payment on monthly debt service or payment on line of credit.

American's Recovery Capital or ARC

- ◆ There is no interest charges to the borrower as SBA will pay the interest rate to the lender at prime (presently 3.25%) plus 2% adjustable monthly for life of the loan.
- ◆ Disbursement period of up to 6 months followed by:
- ◆ 12 months of no payments on the ARC loan then:
- ◆ Five year amortization of the principal balance (60 equal payments to repay the principal amount of the loan.)

American's Recovery Capital or ARC

- ◆ How is SBA defining “viable”:
Established for profit business with evidence of profitability or positive cash flow in at least one of the past two years.
- ◆ Borrower is to certify that term debt is not beyond 60 days past due.
- ◆ ARC loans are not for start ups or change of ownership.

SBA will be credit scoring the personal/business information as part of the approval process.

American's Recovery Capital or ARC

- ◆ How is SBA defining “Immediate Financial Hardship”:
The business must provide evidence to show change in their financial condition such as:
 - Declining sales
 - Frozen Credit Line
 - Difficulty Meeting Payroll
 - Difficulty Making Loan Payments
 - Some other justification which you can document and makes sense to the lender.

American's Recovery Capital or ARC

- ◆ Examples of qualified small business loans which can be:
 - ❖ Secured or unsecured conventional loans.
 - ❖ Credit card debt (used exclusively for the business)
 - ❖ Capital Leases
 - ❖ Notes Payable (A/P converted to note payable)
 - ❖ SBA guaranteed notes can not be paid if approved prior to Feb 17, 2009.

American's Recovery Capital or ARC

- ◆ For profit small businesses interested in applying will need to provide to the lender:
 - ❖ Historic balance sheet & income statements.
 - ❖ Personal financial information on the principles.
 - ❖ Listing of qualified small business loans which you want paid.
 - ❖ Two years of quarterly cash flow projections which indicate the business's ability to meet its debt service requirements.

American's Recovery Capital or ARC

- ◆ If you need assistance with producing the two years of quarterly cash flow projections, the Small Business Development Centers / SCORE which are located throughout the State of Ohio can assist you for free in the production of this information.
- ◆ Mike Bowers SBDC Director & Mary McCarthy from SCORE will be speaking later in the program.

American's Recovery Capital or ARC

- ◆ Is Collateral pledge going to be required?
 - ❖ That depends on the bank's/credit union's internal lending policy for loans of \$35,000 or less.
 - ❖ If the lender doesn't require collateral on conventional loan product of \$35K or less, than only the signatures of the business and principles owning 20% or more will be required.
 - ❖ If the lender normally requires collateral, then the borrower is going to be expected to pledge available business/personal assets.

American's Recovery Capital or ARC

- ◆ Funds are limited. Based upon the subsidy model, SBA projects about 10 – 12 thousand loans will be made nationwide.
- ◆ If you feel you would qualify for an ARC loan, SBA encourages you to speak with your lender and get the process started.

American's Recovery Capital or ARC

- ◆ Additional information is available on SBA's web page at: www.sba.gov.
- ◆ My e-mail address is scot.hardin@sba.gov or our local phone number is (614) 469-6860.

Dealer Floorplan Loans

- ◆ This is a new pilot loan program.
 - ❖ Loans will be made through participant lenders only for inventory that has a titled and is registered with the state.
 - ❖ This is a line of credit with minimum loan amount of \$500,000 and up to \$2 million.
 - ❖ The borrower is responsible for paying the interest associated with this loan.
 - ❖ Applications will be not accepted until July 01 ,2009.
 - ❖ There will be no upfront SBA fee.
 - ❖ Additional guidance will be posted on our web page www.sba.gov as it is forthcoming.

Micro Loans

- ◆ The stimulus bill provided SBA with \$30 million to expand Micro Lending.
 - ❖ Micro loans are made through local intermediaries with a maximum amount of \$35,000.
 - ❖ This is a non-traditional source of capital which underwrites each application, but can be more flexible than a traditional lender.
 - ❖ A local micro lender is:
 - ◆ ECDI (Economic and Community Development) in Columbus, OH.
 - ◆ Their phone number is (614) 559-0115
 - ◆ They only make loans in specific Ohio counties.

Surety Bonding

- ◆ The stimulus bill provided SBA with \$15 million to increase access to surety bonding.
- ◆ Bonding guaranty amount increased from \$2 to 5 million to help small businesses compete for federal construction and service contracts.
 - ❖ If you are interest in SBA surety bonding guaranty, please give us a call at (614) 469-6860.